

AND THE AWARD GOES TO...

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As many readers of this piece would likely agree, returning from year-end holidays and preparing for another year of market [volatility](#), monetary/fiscal/geopolitical challenges and the added bonus of U.S. presidential elections requires significant mental preparation. Based on personal experience, we have found that reflecting on the previous year's accomplishments, both personal and team-related, is an excellent way to ease into this task and make it more enjoyable. Therefore, the Fixed Income team has decided to highlight the most significant success stories in our [Fixed Income products](#) space and commence the year by giving them a shout-out. In addition, since the annual Golden Globe ceremony recently took place, we will announce the winners as if they are superstars, which they truly are to our team!

Best Performing Fund

The award goes to the [WisdomTree Emerging Markets Local Debt Fund \(ELD\)](#)!

- [ELD](#) has been nothing short of a superstar. The Fund generated 14.24% total return in 2023, continuing its run of producing big returns since Q3 2022. The Fund has benefited from emerging markets (EM) central banks being ahead of their developed markets counterparts in their policy tightening journey.
- As we look ahead to the next year, we anticipate that [ELD](#) will continue its impressive performance, with currency appreciation and carry serving as the primary drivers, amidst a soft landing to a mild domestic [recession](#) in the U.S. However, a more severe economic [downturn](#) in the U.S. and an escalation in geopolitical tensions would pose greater challenges to more sensitive risk-on assets, including EM local debt.

Best Relative Performing Fund

The award goes to the [WisdomTree Emerging Markets Local Debt Fund](#)! (AGAIN!)

- This is where [ELD](#) shows its true dominance and proves wrong the haters who say “[ELD](#) has just benefited from a strong asset class.” [ELD](#) outperformed its benchmark, the [J.P. Morgan GBI-EM Global Diversified Index](#), by 2.37% in 2023. This was achieved through positioning within the Fund to higher-yielding currencies within Latin America and maintaining under-weight positions in EMEA (Europe, Middle East and Africa).

Current performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted. Investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For the WisdomTree Emerging Markets Local Debt Fund's most recent month-end and standardized performance, click [here](#).

Most Assets Raised by a Fund

The award goes to the [WisdomTree Floating Rate Treasury Fund \(USFR\)](#)!

- I don't think this comes as a surprise to anyone. [USFR](#) has been a superstar in the making for years, but ever since the [Fed](#) embarked on their historic [quantitative tightening](#) journey, it has shown its true potential. Coming into 2023, a lot of people doubted [USFR](#), saying the Fund had its great run in 2022 and was due to lose a lot of ground in 2023, because they incorrectly believed that the U.S. economy would enter a recession and Fed would be forced to cut rates.
- To the contrary, 2023 was a year when people started to realize that their checking/saving accounts don't love them (i.e., offer adequate interest) as much as a good, caring [MMF](#). And who better than [USFR](#). [USFR](#) continued to offer a yield north of 5% and, as a result, saw its assets grow by more than \$4.6 billion!

- Going forward, we would like to remind everyone who doubts [USFR](#) once again, that even with rate cuts priced in the market and being the expectation of almost all investors, we believe [USFR](#) will continue to offer [high yield](#) and be an essential part of any prudent investor's portfolio.

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Best Fund Positioned for the Next Phase of Fed Policy

The award goes to the [WisdomTree Yield Enhanced U.S. Aggregate Bond Fund \(AGGY\)](#)!

- To be fair to [AGGY](#), this Fund was a close runner up in the Best Performing and Best Relative Performing Fund categories. In the face of rising interest rates, [AGGY](#) managed to produce 7.08% of total return in 2023, while outperforming the [Bloomberg U.S. Aggregate Index](#) by 1.55%. This outperformance was even more impressive considering that investors in the Fund had less duration and as a result less interest rate risk compared to an investor in the U.S. Aggregate index, while enjoying a higher yield/income.
- As mentioned before, the consensus in the market for the 2024 rates landscape is rate cuts and a move lower (the market currently has priced in six rate cuts in 2024). As a result, some investors would like to extend duration in their portfolio and position themselves for the next phase of Fed policy. We believe [AGGY](#) is well positioned to benefit in a falling rate environment and offer extra yield compared to a passive investor in the U.S. Aggregate index.

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Important Risks Related to this Article

ELD: There are risks associated with investing, including the possible loss of principal. Foreign investing involves special risks, such as risk of loss from currency fluctuation or political or economic uncertainty. Investments in emerging, offshore or frontier markets are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation and intervention or political developments. Derivative investments can be volatile and these investments may be less liquid than other securities, and more sensitive to the effects of varied economic conditions.

Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. In addition, when interest rates fall income may decline. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Unlike typical exchange-traded funds, there is no index that the Fund attempts to track or replicate. Thus, the ability of the Fund to achieve its objective will depend on the effectiveness of the portfolio manager. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs.

Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

USFR: There are risks associated with investing, including the possible loss of principal. Securities with floating rates can be less sensitive to interest rate changes than securities with fixed interest rates, but may decline in value. Fixed income securities will normally decline in value as interest rates rise. The value of an investment in the Fund may change quickly and without warning in response to issuer or counterparty defaults and changes in the credit ratings of the Fund's portfolio investments. Due to the investment strategy of this Fund it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

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that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on. Due to the investment strategy of the Fund, it may make higher capital gain distributions than other ETFs. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.

For the top 10 holdings of ELD please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/eld>

For the top 10 holdings of USFR please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/usfr>

For the top 10 holdings of AGGY please visit the Fund's fund detail page at <https://www.wisdomtree.com/investments/etfs/fixed-income/aggy>

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

Related Blogs

+ [The New Rate Regime: Income without the Volatility](#)

Related Funds

+ [WisdomTree Emerging Markets Local Debt Fund](#)

+ [WisdomTree Floating Rate Treasury Fund](#)

+ [WisdomTree Yield Enhanced U.S. Aggregate Bond Fund](#)

For more investing insights, check out our [Economic & Market Outlook](#)

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IMPORTANT INFORMATION

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You cannot invest directly in an index.

DEFINITIONS

Volatility : A measure of the dispersion of actual returns around a particular average level. .

Recession : two consecutive quarters of negative GDP growth, characterized generally by a slowing economy and higher unemployment.

Downturn : A general slowdown in economic activity over a sustained period of time.

JP Morgan GBI-EM Global Diversified Index : tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base. The index incorporates a constrained market-capitalization methodology in which individual issuer exposures are capped at 10%, (with the excess distributed to smaller issuers) for greater diversification among issuing governments.

Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Quantitative Tightening : Quantitative easing is a process whereby a central bank targets lowering longer-term interest rates by purchasing bonds and other securities to stimulate the economy. Quantitative tightening is the reverse process whereby securities are either sold or the proceeds of maturing securities are not reinvested with the goal of tightening economic conditions to prevent the economy from overheating.

Money Market Fund : A fund that Invests in high quality, liquid short-term debt securities and monetary instruments such as US Treasury bills and commercial paper.

High Yield : Sometimes referred to as "junk bonds," these securities have a higher risk of default than investment-grade securities.

Bloomberg U.S. Aggregate Bond Index : Represents the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, as well as mortgage and asset backed securities.